

## **CONSULTANT FINANCIAL REPORT INSTRUCTIONS**

Wisconsin Department of Transportation  
DT1865 2001

### **Section A – Identifying Information**

This section of the report supplies general information about the company and the name(s) of the key contact personnel for financial information.

### **Section B – Accounting Information Questionnaire**

This section provides information about the firm's accounting records, policies, controls and procedures. It is in a questionnaire format, but additional documentation may be attached.

### **Section C - General Purpose Financial Statements**

This section requires the consultant to include financial statements with the reporting package. If a CPA audit has been performed then the audited statements should be submitted. Compiled financial statements should be submitted where a full audit has not been performed. In some cases, the financial statements will simply be internally prepared documents.

In situations where the consultants are operating as subsidiaries or divisions of larger companies, additional schedules and/or reconciliations should be provided to show the tie-in to the parent company audited financial statements.

### **Section D – Proposed Indirect Cost Schedule/Overhead Rate Calculation**

The Schedule of Indirect Costs should be prepared by the firm and be based on actual expenses reported in the financial statements and/or Trial Balance. The schedule should clearly show amounts excluded for Direct Cost items and for Unallowable Costs per the Federal Acquisition Regulations and the WisDOT Facilities Development Manual. The schedule must also show the amount of Direct Labor (included in the Direct Labor Base) and the amount of Facilities Capital Cost of Money. In certain cases multiple rates will be proposed to reflect more than one cost objective (e.g. engineering & drilling rates). The expense breakdowns and resultant overhead rates should be clearly shown on the schedule. An example of a Schedule of Indirect Costs is on the following page.

In certain cases, indirect costs may be allocated using multiple cost pools and/or allocation bases different than direct labor costs. In those cases, the allocation methods and bases should be clearly explained.

A helpful tool that may be used when preparing the report is the:

**“Uniform Audit & Accounting Guide – For Audits of Transportation Consultants’ Indirect Cost Rates.”**

This guide was prepared by the AASHTO Audit Subcommittee in December 2001 and may be obtained from the WisDOT audit section.

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## Section D Instructions (Continued)

<div> <div>Expense amounts should be taken from Financial Statements.</div> <div> <b>Sample Engineering, Inc.</b>  <b>Schedule of Indirect Costs</b>  <b>Year Ended 12/31/xx</b> </div> <div> <div>Unallowable costs are those that are not allowable per the FARS.</div> </div> </div>					
Account	Operating Expenses per F/S	Direct Costs	Unallowable Costs	Indirect Costs	% of Direct Labor
Wages-Direct	\$ 85,001	\$ (85,001)		\$ -	
Wages-General Overhead	40,773			\$ 40,773	
FICA & Medicare-employers	7,540			\$ 7,540	
FUTA	143			\$ 143	
SUTA	751			\$ 751	
Job Materials	1,122	(1,122)		\$ -	
Subcontractors	127	(127)		\$ -	
Vehicle fuel	1,761	(1,761)		\$ -	
Equipment Repairs	313			\$ 313	
Depreciation-equipment	16,944			\$ 16,944	
Marketing costs	186		(186)	\$ -	
Business insurance	3,303			\$ 3,303	
Travel expenses	341	(341)		\$ -	
Advertising	768		(768)	\$ -	
Amortization expense	1,089		(1,089)	\$ -	
Employee Insurance	10,288			\$ 10,288	
Meals & entertainment	51	(51)		\$ -	
Office expense	5,850		(2,925)	\$ 2,925	
Office lease	6,500		(1,500)	\$ 5,000	
Penalties	997		(997)	\$ -	
Postage	409			\$ 409	
Professional Fees	1,704			\$ 1,704	
401K Plan-employer	2,848			\$ 2,848	
Telephone	3,488			\$ 3,488	
Utilities	1,046			\$ 1,046	
<b>Total Indirect Expenses</b>	<u>\$ 193,343</u>	<u>\$ (88,412)</u>	<u>\$ (7,465)</u>	<u>\$ 97,475</u>	114.68%
<b>Direct Labor Amount</b>	<u>\$ 85,001</u>				
Facilities Capital Cost of Money				\$ 3,614	4.25%
<b>Total Indirect Costs &amp; FCCM</b>				<u>\$ 101,089</u>	118.93%
<div> <div>FCCM is calculated separately and added to the total expenses on the schedule.</div> <div> <div>Direct costs are deducted from FS amounts because they have been allocated to projects.</div> <div>Total overhead rate is the total indirect expense, plus FCCM, divided by the direct labor base amount.</div> </div> </div>					

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### Section E – Reconciliation of Indirect Cost Schedule to Financial Statements

A reconciliation of expenses in the Indirect Cost Schedule to the Financial Statement expense amounts should be prepared in order to show a clear audit trail for expense amounts. The reconciliation generally includes detailed expense amounts shown in the Trial Balance in order to show how sub-accounts are combined.

### Section F – Direct Labor Base Summary & Total Labor Reconciliation

Prepare a reconciliation which displays how the total of direct labor plus indirect labor reconciles to the general ledger accounts.

The most common base upon which to allocate indirect overhead costs is direct labor Costs, in dollars. Direct labor amounts may come from a variety of sources depending on the firm's accounting system. In an integrated accounting system the direct labor amount is generally available in a report from the project cost system. In smaller firms, the labor distribution may be maintained in spreadsheets or other reports based on time records. Whatever the case, the following apply to all firms:

- Total labor amounts (direct labor plus indirect labor) must be reconciled to general ledger amounts.
- Labor amounts must be based on actual costs incurred.

The Total Labor Reconciliation should be similar to the following:

#### LABOR RECONCILIATION

Direct Labor per Indirect Cost Schedule	\$ xxxx	
Indirect Labor per Indirect Cost Schedule	<u>\$ yyyy</u>	
<b>Total Labor Per Indirect Cost Schedule</b>		<b>\$ zzzz</b>
Reconciling items:		
Additions		
Deductions		
<b>Total Labor Per General Ledger accounts</b>		<b>\$ zzzz</b>

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### Section G – Direct Cost Summary

This section provides a listing of expense items that are directly allocated to projects and therefore should be excluded from the Schedule of Indirect Costs. It should be noted that consultants must maintain adequate documentation (i.e. logs, accounting records, etc.) for direct cost items and costs for direct cost items must be treated consistently for all projects among all clients.

Examples of common direct cost items include:

- Vehicle mileage
- Travel, lodging and meals
- Copies and printing costs
- Consultants and others who perform sub-contracting services
- Shipping and courier services
- Telephone and facsimile charges
- Blueprints and drafting
- Photos and models
- CADD (computer) usage
- Survey equipment
- Supplies

The following type of schedule should be submitted:

#### Schedule of Direct Cost Items (Example)

<u>Direct Cost Item</u>	<u>Rate</u>	<u>Source Record</u>
Employee vehicle mileage	\$ 0.31/mile	Vehicle logs
Company truck mileage	\$ 0.40/mile	Vehicle logs
Lodging (hotels)	NA	Invoices
Employee meals	NA	Time sheets/ expense accounts
CADD usage	\$8.00/hr	Computer logs

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### Section H – Facilities Capital Cost of Money (FCCM) calculation

This section shows the amounts used in the calculation to determine the allowable Facilities Capital Cost of Money, which is an allowable overhead expense item for WisDOT. The resultant amount is displayed as a separate line item on the Schedule of Indirect Costs. Interest rates published by the US Treasury, by year, can be obtained at the WisDOT web page at [[www.dot.state.wi.us](http://www.dot.state.wi.us)]. The following is an example of a simple FCCM calculation:

Sample Engineering, Inc. Facilities Capital Cost of Money (FCCM) Year Ended 12/31/98			
Estimated Property & Equipment (1998 Average Value):			
1/1/98 asset value	\$	42,000	
12/31/98 asset value	\$	<u>76,000</u>	
	\$	118,000	
1998 average asset value			\$ 59,000
			x
Average Treasury Rate			<u>6.1250%</u>
<b>FCCM Adjustment</b>			<u><u>\$ 3,614</u></u>

Treasury rate represents weighted averages of interest rates published by the US Treasury.

Asset values should agree or reconcile with Financial Statement amounts.